



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

February 7, 2006

Jim Aynes, Hearing Officer
California Department of Food and Agriculture
1220 N Street, Room 409
Sacramento, CA 95814

Dear Mr. Aynes,

At the January 31, 2006 public hearing to consider amendments to the Pooling Plan for Market Milk and the Stabilization and Marketing Plans for Market Milk, a seven-day period was granted for interested parties to file post-hearing briefs for the purpose of amplification, explanation or withdrawal of testimony (Food and Agriculture Code Section 61903).

On behalf of the Department, I would like to submit the attached letter dated January 27, 2006 from James E. Tillison of the Alliance of Western Milk Producers. The author made a good faith effort by mailing the document four days prior to the hearing, however the document was not received by the Department until after the close of the hearing.

Sincerely,

Cheryl Gilbertson
Departmental Witness





Alliance of Western Milk Producers

Representing California's dairy cooperatives and their producer-owners since 1991

1225 H Street, Suite 102 • Sacramento, California 95814 • 916-447-9941

January 27, 2006

David Ikari, Chief
Dairy Marketing Branch
California Department of Food and Agriculture
1220 N Street
Sacramento, California 95814

Re: Testimony in Support of Dairy Farmers of America's fuel cost energy indexing proposal in the Transportation Allowance/Credit Hearing, January 31, 2006

Dear Mr. Ikari:

The Alliance of Western Milk Producers on behalf of its member cooperatives: California Dairies Inc.(CDI), Dairy Farmers of America (DFA) and Humboldt Creamery, which together represent approximately 60 percent of the milk producers in California and more than 60 percent of the milk produced in California, submits this letter in support of the portion of Dairy Farmers of America alternative proposal that calls for the implementation of a fuel cost indexing system as part of the transportation allowance and credit adjustments. The support of the indexing proposal was unanimously approved by the Alliance Board of Directors at its January 23, 2006, Board meeting.

While the California milk marketing system is very responsive, the members of the Alliance believe strongly that fuel costs have become so volatile that even the California system will create winners and losers if it does not adopt a fuel cost adjuster as proposed by DFA.

There can be no clearer proof of the need for such an index than the petition for the hearing submitted by CDI. Less than two months after submitting its original petition, CDI submitted an alternative proposal lowering its proposed changes because the fuel costs had gone down. Yet, at the workshop, the CDI representative said that they might suggest another set of numbers because it looked like fuel costs were going to move again.

Surely the Department (and the industry) does not want to go through hearing after hearing, in a fruitless effort to stay current with fuel costs. A much more simple approach is that proposed by DFA with its indexing proposal.

The DFA proposal only adjusts the fuel portion of the milk movement costs. The other costs - labor, benefits, etc. - aren't as volatile and can be adjusted via the hearing process.

Some of our members may suggest different trigger levels for the adjustment, but they still support the basic proposal.

The Alliance urges the Department to adopt the DFA fuel adjustment indexing concept and asks that this letter be made part of the record of the hearing.

Sincerely,

James E. Tillison
Chief Executive Officer
Alliance of Western Milk Producers